

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number: 001-36666

Wayfair Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

4 Copley Place

(Address of principal executive offices)

Boston, MA

36-4791999

(I.R.S. Employer
Identification Number)

02116

(Zip Code)

(617) 532-6100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value	W	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	☒ Accelerated filer	☐
Non-accelerated filer	☐ Smaller reporting company	☐
	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class	Outstanding at April 25, 2024
Class A Common Stock, \$0.001 par value per share	96,239,070
Class B Common Stock, \$0.001 par value per share	25,691,295

WAYFAIR INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended March 31, 2024

	<u>Page</u>
<u>Part I. FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1.</u> <u>Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2024 and 2023</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2024 and 2023</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders' Deficit for the Three Months Ended March 31, 2024 and 2023</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>30</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>30</u>
<u>Part II. OTHER INFORMATION</u>	<u>31</u>
<u>Item 1.</u> <u>Legal Proceedings</u>	<u>31</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>31</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
<u>Item 5.</u> <u>Other Information</u>	<u>31</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>32</u>
<u>Signatures</u>	<u>32</u>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

WAYFAIR INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (Unaudited)	December 31, 2023
(in millions, except share and per share data)		
Assets:		
Current assets		
Cash and cash equivalents	\$ 1,107	\$ 1,322
Short-term investments	50	29
Accounts receivable, net	113	140
Inventories	81	75
Prepaid expenses and other current assets	237	289
Total current assets	1,588	1,855
Operating lease right-of-use assets	887	820
Property and equipment, net	714	748
Other non-current assets	51	51
Total assets	<u>\$ 3,240</u>	<u>\$ 3,474</u>
Liabilities and Stockholders' Deficit:		
Current liabilities		
Accounts payable	\$ 1,055	\$ 1,234
Other current liabilities	970	949
Total current liabilities	2,025	2,183
Long-term debt	3,095	3,092
Operating lease liabilities, net of current	905	862
Other non-current liabilities	40	44
Total liabilities	6,065	6,181
Commitments and contingencies (Note 5)		
Stockholders' deficit:		
Convertible preferred stock, \$0.001 par value per share: 10,000,000 shares authorized and none issued at March 31, 2024 and December 31, 2023	—	—
Class A common stock, par value \$0.001 per share, 500,000,000 shares authorized, 94,737,000 and 92,457,562 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	—
Class B common stock, par value \$0.001 per share, 164,000,000 shares authorized, 25,691,295 shares issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Additional paid-in capital	1,446	1,316
Accumulated deficit	(4,266)	(4,018)
Accumulated other comprehensive loss	(5)	(5)
Total stockholders' deficit	<u>(2,825)</u>	<u>(2,707)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,240</u>	<u>\$ 3,474</u>

See notes to unaudited condensed consolidated financial statements.

WAYFAIR INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
	(in millions, except per share data)	
Net revenue	\$ 2,729	\$ 2,774
Cost of goods sold	1,910	1,953
Gross profit	819	821
Operating expenses:		
Customer service and merchant fees	117	139
Advertising	324	327
Selling, operations, technology, general and administrative	534	624
Impairment and other related net charges	—	13
Restructuring charges	79	65
Total operating expenses	1,054	1,168
Loss from operations	(235)	(347)
Interest expense, net	(6)	(5)
Other expense, net	(4)	(1)
Loss before income taxes	(245)	(353)
Provision for income taxes, net	3	2
Net loss	\$ (248)	\$ (355)
Loss per share:		
Basic	\$ (2.06)	\$ (3.22)
Diluted	\$ (2.06)	\$ (3.22)
Weighted-average number of shares of common stock outstanding used in computing per share amounts:		
Basic	120	110
Diluted	120	110

See notes to unaudited condensed consolidated financial statements.

WAYFAIR INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net loss	\$ (248)	\$ (355)
Other comprehensive loss:		
Foreign currency translation adjustments	—	2
Net unrealized gain on available-for-sale investments	—	1
Comprehensive loss	<u>\$ (248)</u>	<u>\$ (352)</u>

See notes to unaudited condensed consolidated financial statements.

WAYFAIR INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Three Months Ended					
	Class A and Class B Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	(in millions)					
Balance at December 31, 2022	109	\$ —	\$ 737	\$ (3,280)	\$ (7)	\$ (2,550)
Net loss	—	—	—	(355)	—	(355)
Other comprehensive income	—	—	—	—	3	3
Issuance of common stock upon vesting of RSUs	2	—	—	—	—	—
Equity-based compensation	—	—	157	—	—	157
Balance at March 31, 2023	111	\$ —	\$ 894	\$ (3,635)	\$ (4)	\$ (2,745)
Balance at December 31, 2023	118	\$ —	\$ 1,316	\$ (4,018)	\$ (5)	\$ (2,707)
Net loss	—	—	—	(248)	—	(248)
Issuance of common stock upon vesting of RSUs	2	—	—	—	—	—
Equity-based compensation	—	—	130	—	—	130
Balance at March 31, 2024	120	\$ —	\$ 1,446	\$ (4,266)	\$ (5)	\$ (2,825)

See notes to unaudited condensed consolidated financial statements.

WAYFAIR INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Cash flows for operating activities:		
Net loss	\$ (248)	\$ (355)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	104	104
Equity-based compensation expense	119	144
Amortization of discount and issuance costs on convertible notes	3	1
Impairment and other related net charges	—	13
Other non-cash adjustments	(1)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	9	91
Inventories	(7)	8
Prepaid expenses and other assets	34	19
Accounts payable and other liabilities	(152)	(172)
Net cash used in operating activities	(139)	(147)
Cash flows (for) from investing activities:		
Purchase of short- and long-term investments	(36)	—
Sale and maturities of short- and long-term investments	15	151
Purchase of property and equipment	(13)	(34)
Site and software development costs	(41)	(53)
Net cash (used in) provided by investing activities	(75)	64
Cash flows from financing activities:		
Net cash provided by financing activities	—	—
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1)	3
Net decrease in cash, cash equivalents and restricted cash	(215)	(80)
Cash, cash equivalents and restricted cash		
Beginning of period	\$ 1,326	\$ 1,050
End of period	\$ 1,111	\$ 970

See notes to unaudited condensed consolidated financial statements

WAYFAIR INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Supplemental cash flow information:		
Cash paid for interest on long-term debt	\$ 18	\$ 20
Purchase of property and equipment included in accounts payable and other liabilities	\$ 20	\$ 12
Reconciliation of cash, cash equivalents and restricted cash to condensed consolidated balance sheets		
Cash and cash equivalents	\$ 1,107	\$ 970
Restricted cash included within prepaid expenses and other current assets	4	—
Total cash, cash equivalents and restricted cash	\$ 1,111	\$ 970

See notes to unaudited condensed consolidated financial statements

Wayfair Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q are those of Wayfair Inc. and its wholly-owned subsidiaries. Unless the context indicates otherwise, “Wayfair,” “the Company” or similar terms refer to Wayfair Inc. and its subsidiaries. In the Company’s opinion, the accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting and reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of the interim periods presented. Certain information and note disclosures normally included in the audited financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. Furthermore, interim results are not necessarily indicative of the results for the full year ended December 31, 2024 or future periods.

The Company has identified significant accounting policies that are critical to understanding its business and results of operations. Wayfair believes that there have been no significant changes during the three months ended March 31, 2024 to the items disclosed in Note 1, *Summary of Significant Accounting Policies*, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

Recently Issued Accounting Pronouncements

Segment Reporting

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, to update reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendment is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendment should be applied retrospectively to all prior periods presented in the financial statements. Wayfair is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, to update reportable income tax disclosure requirements, primarily through enhanced disclosures on the rate reconciliation table and other disclosures, including total income taxes paid by jurisdiction. The amendment is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendment should be applied prospectively, with retrospective adoption permitted. Wayfair is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statement disclosures.

2. Supplemental Financial Statement Disclosures

Accounts Receivable, Net

As of March 31, 2024, accounts receivable was \$113 million, net of allowance for credit losses of \$25 million. As of December 31, 2023, accounts receivable was \$140 million, net of allowance for credit losses of \$22 million. The changes in the allowance for credit losses were not material for the three months ended March 31, 2024. Management believes credit risk is mitigated for the three months ended March 31, 2024, as approximately 99.4% of the net revenue recognized was collected in advance of recognition.

Contract Liabilities

Contractual liabilities, included in other current liabilities, were \$187 million at March 31, 2024 and \$204 million at December 31, 2023. During the three months ended March 31, 2024, Wayfair recognized \$123 million of net revenue that was included within other current liabilities as of December 31, 2023.

Net revenue from contracts with customers is disaggregated by geographic region because this manner of disaggregation best depicts how the nature, amount, timing, and uncertainty of net revenue and cash flows are affected by economic factors. Refer to Note 10, *Segment and Geographic Information*, for additional information.

Restructuring Charges

On January 19, 2024, Wayfair announced a workforce realignment plan, including a workforce reduction involving approximately 1,650 employees. As a result, during the three months ended March 31, 2024, Wayfair incurred \$79 million of charges recorded within restructuring charges on the condensed consolidated statements of operations. The charges consisted primarily of one-time employee severance and benefit costs. As of March 31, 2024, \$34 million is accrued within other current liabilities for employee severance benefits which are expected to be paid in the second quarter of 2024.

3. Cash, Cash Equivalents and Restricted Cash, Investments and Fair Value Measurements

Investments

As of March 31, 2024 and December 31, 2023, Wayfair's marketable securities, which primarily consisted of corporate bonds and other government obligations that are priced at fair value, were classified as available-for-sale investments. During the three months ended March 31, 2024 and 2023, Wayfair did not have any realized gains or losses. During the three months ended March 31, 2024 and 2023, Wayfair recorded interest income, including interest earned from cash and cash equivalents and marketable securities, of \$12 million and \$7 million, respectively.

During the three months ended March 31, 2024 and 2023, Wayfair did not recognize any credit losses related to its available-for-sale debt securities. As of March 31, 2024 and December 31, 2023, Wayfair did not have an allowance for credit losses recorded related to its available-for-sale debt securities.

The following table presents details of Wayfair's investment securities as of March 31, 2024 and December 31, 2023:

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in millions)			
Short-term:				
Investment securities	\$ 20	\$ —	\$ —	\$ 20
Total	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20</u>
	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in millions)			
Short-term:				
Investment securities	\$ 29	\$ —	\$ —	\$ 29
Total	<u>\$ 29</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29</u>

Fair Value Measurements

Wayfair's financial assets and liabilities are measured at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The three levels of inputs used to measure fair value are as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable or can be corroborated by observable market data for substantially the full-term of the asset or liability
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability

This hierarchy requires Wayfair to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Wayfair classifies cash equivalents and certificate of deposits within Level 1 because these are valued using quoted market prices. The fair value of Level 1 financial assets is based on quoted market prices of the identical underlying security. Wayfair classifies short-term investments within Level 2 because unadjusted quoted prices for identical or similar assets in markets are not active. Wayfair does not have assets that are classified as Level 3.

The following tables set forth the fair value of Wayfair's financial assets measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023:

March 31, 2024				
	Level 1	Level 2	Level 3	Total
(in millions)				
Cash and cash equivalents:				
Cash	\$ 468	\$ —	\$ —	\$ 468
Cash equivalents	639	—	—	639
Total cash and cash equivalents	1,107	—	—	1,107
Short-term investments:				
Investment securities	—	20	—	20
Certificate of deposit	30	—	—	30
Total short-term investments	30	20	—	50
Prepaid expenses and other current assets:				
Certificate of deposit ⁽¹⁾	4	—	—	4
Total	\$ 1,141	\$ 20	\$ —	\$ 1,161
December 31, 2023				
	Level 1	Level 2	Level 3	Total
(in millions)				
Cash and cash equivalents:				
Cash	\$ 407	\$ —	\$ —	\$ 407
Cash equivalents	915	—	—	915
Total cash and cash equivalents	1,322	—	—	1,322
Short-term investments:				
Investment securities	—	29	—	29
Prepaid expenses and other current assets:				
Certificate of deposit ⁽¹⁾	4	—	—	4
Total	\$ 1,326	\$ 29	\$ —	\$ 1,355

⁽¹⁾ The certificate of deposit is classified as restricted cash that is primarily restricted to funds held in collateral.

4. Debt and Other Financing

The following table presents the outstanding principal amount and carrying value of debt and other financing:

Debt Instrument	March 31, 2024			December 31, 2023		
	Principal Amount	Unamortized Debt Discount	Net Carrying Amount	Principal Amount	Unamortized Debt Discount	Net Carrying Amount
(in millions)						
Revolving Credit Facility			\$ —			\$ —
2024 Notes	\$ 117	\$ —	117	\$ 117	\$ —	117
2025 Notes	754	(3)	751	754	(3)	751
2026 Notes	949	(5)	944	949	(5)	944
2027 Notes	690	(8)	682	690	(10)	680
2028 Notes	690	(10)	680	690	(11)	679
2025 Accreting Notes	38	—	38	38	—	38
Total Debt			\$ 3,212			\$ 3,209
Short-term debt ⁽¹⁾			117			117
Long-term debt			\$ 3,095			\$ 3,092

⁽¹⁾ Short-term debt consists of the 2024 Notes and is presented within other current liabilities in the condensed consolidated balance sheets.

Revolving Credit Facility

Wayfair has a five-year senior secured revolving credit facility (the “Revolver”), which matures on March 24, 2026, and provides for non-amortizing revolving loans in an aggregate amount of \$600 million. Under the Revolver, Wayfair may, from time to time, request letters of credit, which reduce the availability of credit under the Revolver. Wayfair had \$72 million in outstanding letters of credit as of March 31, 2024, primarily as security for lease agreements. As of March 31, 2024, there were no revolving loans outstanding under the Revolver.

Convertible Non-Accreting Notes

The following table summarizes certain terms related to the Company’s current outstanding non-accreting convertible notes (collectively, the “Non-Accreting Notes” and together with the 2025 Accreting Notes, the “Notes”):

Convertible Non-Accreting Notes	Maturity Date	Annual Coupon Rate	Annual Effective Interest Rate	Payment Dates for Semi-Annual Interest Payments in Arrears
2024 Notes	November 1, 2024	1.125%	1.5%	May 1 and November 1
2025 Notes	October 1, 2025	0.625%	0.9%	April 1 and October 1
2026 Notes	August 15, 2026	1.000%	1.2%	February 15 and August 15
2027 Notes	September 15, 2027	3.250%	3.6%	March 15 and September 15
2028 Notes	November 15, 2028	3.500%	3.8%	May 15 and November 15

Convertible Accreting Notes

No cash interest is payable on the 2025 Accreting Notes. Instead, the 2025 Accreting Notes accrue interest at a rate of 2.50% per annum, which accretes to the principal amount on April 1 and October 1 of each year. The 2025 Accreting Notes will mature on April 1, 2025, unless earlier purchased, redeemed or converted. The annual effective interest rate of the 2025 Accreting Notes is 2.7%.

Conversion and Redemption Terms of the Notes

Wayfair's Notes will mature at their maturity date unless earlier purchased, redeemed or converted. The Notes' initial conversion terms are summarized below:

Convertible Notes	Maturity Date	Free Convertibility Date	Initial Conversion Rate per \$1,000 Principal	Initial Conversion Price	Redemption Date
2024 Notes	November 1, 2024	August 1, 2024	8.5910	\$116.40	May 8, 2022
2025 Notes	October 1, 2025	July 1, 2025	2.3972	\$417.15	October 4, 2022
2026 Notes	August 15, 2026	May 15, 2026	6.7349	\$148.48	August 20, 2023
2027 Notes	September 15, 2027	June 15, 2027	15.7597	\$63.45	September 20, 2025
2028 Notes	November 15, 2028	August 15, 2028	21.8341	\$45.80	May 20, 2026
2025 Accreting Notes	April 1, 2025	-	13.7931	\$72.50	May 9, 2023

The conversion rate is subject to adjustment upon the occurrence of certain specified events, including certain distributions and dividends to all or substantially all of the holders of Wayfair's Class A common stock, but will not be adjusted for accrued and unpaid interest.

Wayfair will settle any conversions of the Non-Accreting Notes in cash, shares of Wayfair's Class A common stock or a combination thereof, with the form of consideration determined at Wayfair's election. The holders of the Non-Accreting Notes may convert all or a portion of such Notes prior to certain specified dates (each, a "Free Convertibility Date") under the following circumstances (in each case, as applicable to each series of Non-Accreting Notes):

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of Wayfair's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five-business day period after any ten consecutive trading day period (the "measurement period") in which the trading price (as defined in the applicable indenture) per \$1,000 principal amount of the notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of Wayfair's Class A common stock and the conversion rate on each such trading day;
- if Wayfair calls the notes for redemption, at any time prior to 5:00 p.m. (New York City time) ("the close of business") on the second scheduled trading day immediately preceding the redemption date; and
- upon the occurrence of specified corporate events (as set forth in the applicable indenture).

On or after the applicable Free Convertibility Date until the close of business on the second scheduled trading day immediately preceding the applicable maturity date, holders of the Non-Accreting Notes may convert their Non-Accreting Notes at any time.

The conditional conversion features of the 2028 Notes were triggered during the calendar quarter ended March 31, 2024, and the 2028 Notes therefore became convertible in the calendar quarter ended June 30, 2024 pursuant to the applicable last reported sales price condition. The conditional conversion features of the 2024 Notes, 2025 Notes, 2026 Notes and 2027 Notes were not triggered during the calendar quarter ended March 31, 2024, therefore, the 2024 Notes, 2025 Notes, 2026 Notes and 2027 Notes are not convertible during the calendar quarter ended June 30, 2024 pursuant to the applicable last reported sales price conditions.

The holders of the 2025 Accreting Notes may convert all or a portion of their 2025 Accreting Notes at any time prior to the close of business on the second business day immediately preceding the maturity date. Wayfair will settle any conversion of 2025 Accreting Notes with a number of shares of Wayfair's Class A common stock per \$1,000 original principal amount of 2025 Accreting Notes equal to the accreted principal amount of such original principal amount of 2025 Accreting Notes divided by the conversion price.

Upon the occurrence of a fundamental change (as defined in the applicable indenture), holders of the applicable series of Notes may require Wayfair to repurchase all or a portion of such Notes for cash at a price equal to 100% of the principal amount (or accreted principal amount) of such Notes to be repurchased plus any accrued but unpaid interest to, but excluding, the fundamental change repurchase date (such interest to be included in the accreted principal amount for the 2025 Accreting Notes).

Holders of the Non-Accreting Notes who convert their respective Notes in connection with a make-whole fundamental change or a notice of redemption (each as defined in the applicable indenture) may be entitled to a premium in the form of an increase in the conversion rate of the respective Notes. Holders of the 2025 Accreting Notes who convert in connection with a make-whole fundamental change (as defined in the applicable indenture) may be entitled to a premium in the form of an increase in the conversion rate.

Wayfair may not redeem the Notes prior to certain dates (the “Redemption Date”). On or after the applicable Redemption Date, Wayfair may redeem for cash all or part of the applicable series of Notes if the last reported sale price of Wayfair’s Class A common stock equals or exceeds 130% (Non-Accreting Notes) or 276% (2025 Accreting Notes) of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the five trading days immediately preceding the date on which Wayfair provides notice of redemption, during any 30 consecutive trading days ending on, and including the trading day immediately preceding the date on which Wayfair provides notice of the redemption. The redemption price will be either 100% of the principal amount (or accreted principal amount) of the notes to be redeemed, plus accrued and unpaid interest, if any, or the if-converted value if the holder elects to convert their Notes upon receiving notice of redemption.

Conversions of Notes

During the three months ended March 31, 2024, there were no conversions of the Notes.

Interest Expense

During the three months ended March 31, 2024, Wayfair recognized contractual interest expense and debt discount amortization of \$15 million and \$3 million, respectively.

During the three months ended March 31, 2023, Wayfair recognized contractual interest expense and debt discount amortization of \$11 million and \$1 million, respectively.

Fair Value of Notes

As of March 31, 2024, the estimated fair value of the 2024 Notes, 2025 Notes, 2026 Notes, 2027 Notes, 2028 Notes and 2025 Accreting Notes was \$115 million, \$699 million, \$882 million, \$913 million, \$1.1 billion and \$36 million, respectively. The estimated fair value of the Non-Accreting Notes was determined through consideration of quoted market prices. The estimated fair value of the 2025 Accreting Notes was determined through an option pricing model using Level 3 inputs including volatility and credit spread. The fair values of the Non-Accreting Notes and the 2025 Accreting Notes are classified as Level 2 and Level 3, respectively, as defined in Note 3, *Cash, Cash Equivalents and Restricted Cash, Investments and Fair Value Measurements*. As of March 31, 2024, the if-converted value of the 2027 Notes and 2028 Notes exceeded the principal value by \$48 million and \$333 million, respectively. As of March 31, 2024, the if-converted value of the 2024 Notes, 2025 Notes, 2026 Notes and 2025 Accreting Notes did not exceed the principal value.

Capped Calls

The 2024 Capped Calls, 2025 Capped Calls, 2026 Capped Calls, 2027 Capped Calls and 2028 Capped Calls (collectively, the “Capped Calls”) are expected generally to reduce the potential dilution and/or offset the cash payments Wayfair is required to make in excess of the principal amount of the Non-Accreting Notes upon conversion of the Non-Accreting Notes if the market price per share of Wayfair’s Class A common stock is greater than the strike price of the applicable Capped Call (which corresponds to the initial conversion price of the applicable Non-Accreting Notes and is subject to certain adjustments under the terms of the applicable Capped Call), with such reduction and/or offset subject to a cap based on the cap price of the applicable Capped Calls (the “Initial Cap Price”). The Capped Calls can, at Wayfair’s option, remain outstanding until their maturity date, even if all or a portion of the Non-Accreting Notes are converted, repurchased or redeemed prior to such date.

Each of the Capped Calls has an initial cap price per share of Wayfair’s Class A common stock, which represented a premium over the last reported sale price (or, with respect to the 2025 Capped Calls, the volume-weighted average price) of Wayfair’s Class A common stock on the date the corresponding Non-Accreting Notes were priced (the “Cap Price Premium”), and is subject to certain adjustments under the terms of the corresponding agreements. Collectively, the Capped Calls cover, initially, the number of shares of Wayfair’s Class A common stock underlying the Non-Accreting Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Non-Accreting Notes.

The initial terms for the Capped Calls are presented below:

Capped Calls	Maturity Date	Initial Cap Price	Cap Price Premium
2024 Capped Calls	November 1, 2024	\$219.63	150%
2025 Capped Calls	October 1, 2025	\$787.08	150%
2026 Capped Calls	August 15, 2026	\$280.15	150%
2027 Capped Calls	September 15, 2027	\$97.62	100%
2028 Capped Calls	November 15, 2028	\$73.28	100%

The Capped Calls are separate transactions from the Non-Accreting Notes, are not subject to the terms of the Non-Accreting Notes and will not affect any holder's rights under the Non-Accreting Notes. Similarly, holders of the Non-Accreting Notes do not have any rights with respect to the Capped Calls. The Capped Calls do not meet the criteria for separate accounting as a derivative as they are indexed to Wayfair's stock and meet the requirements to be classified in equity. The premiums paid for the Capped Calls were included as a net reduction to additional paid-in capital within stockholders' deficit when they were entered.

5. Commitments and Contingencies

Legal Matters

From time to time, Wayfair is involved in litigation matters and other legal claims that arise during the ordinary course of business. The Company records a liability when it believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. Litigation and legal claims are inherently unpredictable and claims cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's results of operations or financial condition, and regardless of the outcome, these matters can be costly and time consuming, as it can divert management's attention from important business matters and initiatives, negatively impacting Wayfair's overall operations. In addition, Wayfair may also find itself at greater risk to outside party claims as it increases its operations in jurisdictions where the laws with respect to the potential liability of online retailers are uncertain, unfavorable, or unclear.

However, Wayfair does not currently believe that the outcome of any legal matters will have a material adverse effect on Wayfair's results of operations or financial condition.

Canada Border Services Agency

The Canada Border Services Agency ("CBSA") is examining Wayfair's payment of duties under the Special Measures Import Act (the "CBSA review") for goods imported into Canada for the years ended December 31, 2023 and 2022 and part of the year ended December 31, 2021. The estimated potential liability for the CBSA review, net of any amounts that may be recouped through the appeals process, is approximately \$20 million, inclusive of duties and interest.

Related to the CBSA review, during the three months ended March 31, 2024, Wayfair incurred approximately \$6 million to cost of goods sold and \$1 million to selling, operations, technology, general and administrative within the condensed consolidated statement of operations. During the three months ended March 31, 2024, Wayfair made payments of approximately \$4 million of duties and \$1 million of interest charges based on assessments received related to the year ended December 31, 2022 and part of the year ended December 31, 2021. Wayfair is required to pay all assessed amounts in order to exercise its appeal rights. Wayfair believes there are substantial factual and legal grounds to appeal and partially recoup these amounts and is exploring other options to mitigate exposure.

As of March 31, 2024, approximately \$10 million was recorded within other current liabilities in the condensed consolidated balance sheets.

Because loss contingencies are inherently unpredictable, this assessment is subjective and requires judgments about future events. As a result, it is at least reasonably possible that this estimate may change in the near term and the effect of the potential change could be material.

6. Stockholders' Deficit

Common Stock

Since Wayfair's initial public offering through March 31, 2024, 56,347,119 shares of Class B common stock were converted to the same number of shares of Class A common stock.

Stock Repurchase Programs

During the three months ended March 31, 2024 and 2023, Wayfair did not repurchase any shares of Class A common stock under its stock repurchase programs.

7. Equity-Based Compensation

In April 2023, Wayfair's stockholders approved the 2023 Incentive Award Plan (the "2023 Plan") to replace Wayfair's 2014 Incentive Award Plan, as amended (the "2014 Plan" and, together with the 2023 Plan, the "Incentive Plans"). The Incentive Plans were adopted by the board of directors (the "Board") to grant cash and equity incentive awards to eligible participants in order to attract, motivate and retain talent. The Incentive Plans are administered by the Board for awards to non-employee directors and by the compensation committee of the Board for other participants and provide for the issuance of equity-based awards including stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance awards and stock payments.

Under the 2023 Plan, 20,525,663 shares of Class A common stock initially were available for future award grants. As of March 31, 2024, 14,207,455 shares of Class A common stock remained available for future grant under the 2023 Plan.

The following table presents activity relating to RSUs for the three months ended March 31, 2024:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2023	5,186,886	\$ 93.68
RSUs granted	1,321,993	\$ 65.40
RSUs vested	(2,279,438)	\$ 75.40
RSUs forfeited/canceled	(720,589)	\$ 99.23
Unvested at March 31, 2024	3,508,852	\$ 93.74

As of March 31, 2024, unrecognized equity-based compensation expense related to RSUs expected to vest over time is \$209 million with a weighted-average remaining vesting term of 0.6 years.

The following table summarizes activity for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Weighted average grant date fair value of RSUs	\$ 65.40	\$ 41.63
Total fair value of vested RSUs (in millions)	\$ 172	\$ 171
Intrinsic value of RSUs vested (in millions)	\$ 129	\$ 117

As of March 31, 2024, the aggregate intrinsic value of unvested RSUs was \$238 million.

Equity-based compensation was classified as follows in the condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Cost of goods sold	\$ 2	\$ 3
Customer service and merchant fees	5	8
Selling, operations, technology, general and administrative	112	133
Total equity-based compensation expense	\$ 119	\$ 144

Equity-based compensation costs capitalized as site and software development costs were \$11 million and \$13 million for the three months ended March 31, 2024 and 2023, respectively.

8. Income Taxes

The provision for income taxes, net recorded during the three months ended March 31, 2024 is primarily related to income tax benefits for tax losses earned in the U.S. and certain foreign jurisdictions and U.S. state income taxes, as well as related changes in increases in the Company's valuation allowance on deferred tax assets, as well as some U.S. state minimum and foreign taxes. Wayfair had no material unrecognized tax benefits as of March 31, 2024 and December 31, 2023.

The Organization for Economic Co-operation and Development ("OECD") has proposed a global minimum tax of 15% of reported profits ("Pillar 2") that has been agreed upon in principle by over 140 countries. Many non- U.S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar 2 model rules beginning in 2024 or announced their plans to enact legislation in future years. The currently enacted Pillar 2 model rules did not have a material impact on our provision for income taxes for the three months ended March 31, 2024.

9. Loss per Share

Wayfair follows the two-class method when computing earnings or loss per share for its two issued classes of common stock - Class A and Class B. Basic earnings or loss per share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted earnings or loss per share is computed using the weighted-average number of shares of common stock outstanding during the period plus, if dilutive, common stock equivalents outstanding during the period and stock issuable upon conversion of the convertible debt instruments. Wayfair's common stock equivalents consist of shares issuable upon the release of restricted stock units. The dilutive effect of these common stock equivalents is reflected in diluted earnings or loss per share by application of the treasury stock method. The dilutive effect of shares issuable upon conversion of the convertible debt instruments is included in the calculation of diluted earnings or loss per share under the if-converted method.

For periods in which Wayfair has reported net losses, diluted loss per share is the same as basic loss per share, as the effects of common stock equivalents outstanding and shares issuable upon conversion of convertible debt instruments are antidilutive and, therefore, excluded from the calculation of diluted loss per share.

Wayfair allocates undistributed earnings between the classes on a one-to-one basis when computing earnings or loss per share. As a result, basic and diluted earnings or loss per Class A and Class B shares are equivalent.

The following table presents the calculation of basic and diluted loss per share:

		Three Months Ended March 31,	
		2024	2023
		(in millions, except per share data)	
Numerator:			
Numerator for basic and diluted loss per share - net loss	\$	(248)	\$ (355)
Denominator:			
Denominator for basic and diluted loss per share - weighted-average number of shares of common stock outstanding		120	110
Loss per share			
Basic	\$	(2.06)	\$ (3.22)
Diluted	\$	(2.06)	\$ (3.22)

The potential common shares from anti-dilutive securities excluded from the weighted-average shares of common stock used to calculate diluted loss per share were as follows:

		Three Months Ended March 31,	
		2024	2023
		(in millions)	
Unvested restricted stock units		4	7
Shares related to convertible debt instruments		36	23
Total		40	30

Wayfair may settle conversions of the Non-Accreting Notes in cash, shares of Wayfair's Class A common stock or any combination thereof at its election. Wayfair will settle conversions of the 2025 Accreting Notes in shares of Wayfair's Class A common stock. The Capped Calls are generally expected to reduce the potential dilution of Wayfair's Class A common stock upon any conversion of the Notes and/or offset the cash payments Wayfair is required to make in excess of the principal amount of the Notes upon conversion of the Notes to the extent the market price per share of Wayfair's Class A common stock is greater than the strike price of the Capped Calls (which corresponds to the initial conversion prices of the Non-Accreting Notes, subject to certain adjustments under the terms of the Capped Calls), with such reduction and/or offset capped at the Initial Cap Price.

For more information on the structure of the Notes and the Capped Calls, see Note 4, *Debt and Other Financing*.

10. Segment and Geographic Information

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated on a regular basis by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. Wayfair's CODM is its Chief Executive Officer.

Wayfair's operating and reportable segments are the U.S. and International. These segments reflect the way the CODM allocates resources and evaluates financial performance, which is based upon each segment's Adjusted EBITDA. Adjusted EBITDA is defined as net income or loss before depreciation and amortization, equity-based compensation and related taxes, interest income or expense, net, other income or expense, net, provision or benefit for income taxes, net, non-recurring items, and other items not indicative of ongoing operating performance. These charges are excluded from the evaluation of segment performance because it facilitates reportable segment performance comparisons on a period-to-period basis as these costs may vary independent of business performance. The accounting policies of the segments are the same as those described in Note 1, *Summary of Significant Accounting Policies*, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Wayfair allocates certain operating expenses to the operating and reportable segments, including customer service and merchant fees and selling, operations, technology, general and administrative expenses based on the usage and relative contribution provided to the segments. It excludes from the allocations certain operating expense lines, including depreciation and amortization, equity-based compensation and related taxes, impairment and other related net charges and restructuring charges, as

well as interest income or expense, net, other income or expense, net, gain or loss on debt extinguishment and provision or benefit for income taxes, net. There are no net revenue transactions between Wayfair's reportable segments.

U.S.

The U.S. segment primarily consists of amounts earned through product sales through Wayfair's family of sites in the U.S.

International

The International segment primarily consists of amounts earned through product sales through Wayfair's international sites.

Net revenue from external customers for each group of similar products and services are not reported to the CODM. Separate identification of this information for purposes of segment disclosure is impractical, as it is not readily available and the cost to develop it would be excessive. No individual country outside the U.S. provided greater than 10% of consolidated net revenue.

The following tables present net revenue and Adjusted EBITDA attributable to Wayfair's reportable segments for the periods presented:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
U.S. net revenue	\$ 2,391	\$ 2,415
International net revenue	338	359
Total net revenue	<u>\$ 2,729</u>	<u>\$ 2,774</u>
	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Adjusted EBITDA:		
U.S.	\$ 121	\$ 29
International	(46)	(43)
Total reportable segments Adjusted EBITDA	75	(14)
Less: reconciling items ⁽¹⁾	(323)	(341)
Net loss	<u>\$ (248)</u>	<u>\$ (355)</u>

(1) The following adjustments are made to reconcile total reportable segments Adjusted EBITDA to consolidated net loss:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Depreciation and amortization	\$ 104	\$ 104
Equity-based compensation and related taxes	127	151
Interest expense, net	6	5
Other expense, net	4	1
Provision for income taxes, net	3	2
Other:		
Impairment and other related net charges ^(a)	—	13
Restructuring charges ^(b)	79	65
Total reconciling items	<u>\$ 323</u>	<u>\$ 341</u>

(a) During the three months ended March 31, 2023, Wayfair recorded charges of \$5 million related to consolidation of certain customer service centers in identified U.S. locations and \$8 million related to construction in progress assets at identified U.S. locations.

(b) During the three months ended March 31, 2024, Wayfair incurred \$79 million of charges consisting primarily of one-time employee severance and benefit costs associated with the January 2024 workforce reductions. During the three months ended March 31, 2023, Wayfair incurred \$65 million of charges consisting primarily of one-time employee severance and benefit costs associated with the January 2023 workforce reductions.

See “Non-GAAP Financial Measures” in Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in this Quarterly Report on Form 10-Q for more information regarding the use of Adjusted EBITDA.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding our investment plans and anticipated returns on those investments, our future customer growth, our future results of operations and financial position, including our financial outlook and profitability goals, the financial impact and expected savings of our recent reduction in workforce, available liquidity and access to financing sources, our business strategy, plans and objectives of management for future operations, including our international expansion and omni-channel strategy, consumer activity and behaviors, developments in our technology and systems and anticipated results of those developments, our new financial accounting system for financial reporting, including our transition to such system, and the impact of such new financial accounting system on our financial reporting, including internal control over our financial reporting, and the impact of macroeconomic events, including interest rates and rising inflation, and our response to such events, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “continues,” “could,” “intends,” “goals,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions.

Forward-looking statements are based on current expectations of future events. We cannot guarantee that any forward-looking statement will be accurate, although we believe that we have been reasonable in our expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that known or unknown risks or uncertainties materialize, actual results could vary materially from Wayfair’s expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise.

Factors that could cause or contribute to differences in our future results include, without limitation, the following:

- adverse macroeconomic conditions, including higher interest rates, inflation, slower growth or the potential for recession, disruptions in the global supply chain and other conditions affecting the retail environment for products we sell, and other matters that influence consumer spending and preferences;
- our ability to manage our growth and the impacts of our internal restructuring and workforce reduction;
- our ability to acquire and retain customers in a cost-effective manner;
- our ability to increase our net revenue per active customer;
- our ability to build and maintain strong brands;
- our ability to manage our growth and expansion initiatives;
- our ability to expand our business and compete successfully;
- disruptions, capacity constraints or inefficiencies in our information systems network, or any potential cybersecurity incident;
- geopolitical events, natural disasters, public health emergencies, civil disturbances and terrorist attacks; and
- developments in, and the outcome of, legal and regulatory proceedings and investigations to which we are a party or are subject, and the liabilities, obligations and expenses, if any, that we may incur in connection therewith.

A further list and description of risks, uncertainties and other factors that could cause or contribute to differences in our future results include the cautionary statements herein and in our other filings with the Securities and Exchange Commission, including those set forth under Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2023. We qualify all of our forward-looking statements by these cautionary statements.

All dollar and percentage comparisons made herein refer to the three months ended March 31, 2024, compared with the three months ended March 31, 2023, unless otherwise noted.

Overview

Wayfair is one of the world's largest online destinations for the home. Through our e-commerce business model, we offer visually inspired browsing, compelling merchandising, easy product discovery and attractive prices for over 30 million products from over 20 thousand suppliers.

We believe an increasing portion of the dollars spent on home goods will be spent online and that there is an opportunity for acquiring more market share. Our business model is designed to grow our net revenue by acquiring new customers as well as stimulating repeat purchases from our existing customers. Through increasing brand awareness as well as paid and unpaid advertising, we attract new and repeat customers to our family of sites. We turn these customers into recurring shoppers by creating a seamless shopping experience across their entire journey — offering best-in-class product discovery, purchasing, fulfillment and customer service.

During the three months ended March 31, 2024, net revenue decreased by 1.6% compared to the same period in 2023. As of March 31, 2024, we had 22 million active customers and during the three months ended March 31, 2024, 80.5% of orders came from repeat buyers. The lower sales were a function of normalization in average order value following a period of inflation, in combination with a decrease in order volume due to challenges in the category. We also continued to manage our advertising spend according to a return on investment-oriented approach that carefully tracks and monitors the results of advertising campaigns as we seek to maintain appropriate return targets.

Global Considerations

We are continuing to closely monitor macroeconomic impacts, including, but not limited to, geopolitical events and rising and fluctuating interest rates and inflation on our business, results of operations and financial results. These developments have and may continue to negatively impact global economic activity and consumer behavior, which have and may continue to adversely affect our business and our results of operations. As our customers react to these global economic conditions, we may take additional precautionary measures to limit or delay expenditures and preserve capital and liquidity.

While it is difficult to quantify and predict all of the impacts these global economic events, including rising and fluctuating inflation and interest rates, will have on our business and to predict consumer spending in the near term, we believe the long-term opportunity that we see for shopping for the home online remains unchanged.

We will continue to monitor economic conditions as we work to manage our business to meet the evolving needs of our customers, employees, suppliers, partners, stockholders and communities.

Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2023.

Key Financial Statement and Operating Metrics

We measure our business using the key financial statement and operating metrics that are reflected in the below table. See “Non-GAAP Financial Measures” below for more information regarding our use of Adjusted EBITDA, Free Cash Flow and Adjusted Diluted Earnings or Loss per Share and a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure.

Our Free Cash Flow and Adjusted Diluted Earnings or Loss per Share are measured on a consolidated basis, while our Adjusted EBITDA is measured on a consolidated and reportable segment basis. All other key financial statement and operating metrics are derived and reported from our consolidated net revenue.

We use the following metrics to assess the near and longer-term performance of our overall business:

	Three Months Ended March 31,	
	2024	2023
	(in millions, except LTM net revenue per active customer, average order value and per share data)	
Key Financial Statement Metrics:		
Net revenue	\$ 2,729	\$ 2,774
Gross profit	\$ 819	\$ 821
Loss from operations	\$ (235)	\$ (347)
Net loss	\$ (248)	\$ (355)
Loss per share:		
Basic	\$ (2.06)	\$ (3.22)
Diluted	\$ (2.06)	\$ (3.22)
Net cash used in operating activities	\$ (139)	\$ (147)
Key Operating Metrics:		
Active customers ⁽¹⁾	22	22
LTM net revenue per active customer ⁽²⁾	\$ 537	\$ 552
Orders delivered ⁽³⁾	10	10
Average order value ⁽⁴⁾	\$ 285	\$ 287
Non-GAAP Financial Measures:		
Adjusted EBITDA	\$ 75	\$ (14)
Free Cash Flow	\$ (193)	\$ (234)
Adjusted Diluted Loss per Share	\$ (0.32)	\$ (1.13)

⁽¹⁾ The number of active customers represents the total number of individual customers who have purchased at least once directly from our sites during the preceding twelve-month period. The change in active customers in a reported period captures both the inflow of new customers as well as the outflow of existing customers who have not made a purchase in the last twelve months. We view the number of active customers as a key indicator of our growth.

⁽²⁾ Last twelve months (“LTM”) net revenue per active customer represents our total net revenue in the last twelve months divided by our total number of active customers for the same preceding twelve-month period. We view LTM net revenue per active customer as a key indicator of our customers’ purchasing patterns, including their initial and repeat purchase behavior.

⁽³⁾ Orders delivered represent the total orders delivered in any period, inclusive of orders that may eventually be returned. As we ship a large volume of packages through multiple carriers, actual delivery dates may not always be available, and as such we estimate delivery dates based on historical data. We recognize net revenue when an order is delivered, and therefore orders delivered, together with average order value, is an indicator of the net revenue we expect to recognize in a given period. We view orders delivered as a key indicator of our growth.

⁽⁴⁾ We define average order value as total net revenue in a given period divided by the orders delivered in that period. We view average order value as a key indicator of the mix of products on our sites, the mix of offers and promotions and the purchasing behavior of our customers.

Results of Consolidated Operations

Comparison of the three months ended March 31, 2024 and 2023

Net revenue

During the three months ended March 31, 2024, net revenue decreased by \$45 million, or 1.6%, compared to the same period in 2023, which reflects recent macroeconomic pressures felt by consumers. The decrease in net revenue was due to lower average order value, which was driven by normalization of inflationary pressures in the supply chain and partially due to lower order volume, which was driven by challenges in the category, compared to the same period in 2023.

During the three months ended March 31, 2024, our United States (“U.S.”) net revenue decreased by 1.0% and International net revenue decreased by 5.8% compared to the same period in 2023. During the three months ended March 31, 2024, International Net Revenue Constant Currency Growth was (7.5)% (see “Non-GAAP Financial Measures” below for more information regarding our use of Net Revenue Constant Currency Growth).

	Three Months Ended March 31,		% Change
	2024	2023	
	(in millions)		
U.S. net revenue	\$ 2,391	\$ 2,415	(1.0)%
International net revenue	338	359	(5.8)%
Net revenue	\$ 2,729	\$ 2,774	(1.6)%

For more information on our segments, see Note 10 *Segment and Geographic Information*, in the notes to the condensed consolidated financial statements, included in Part I, Item 1, *Financial Statements*, in this Quarterly Report on Form 10-Q.

Cost of goods sold

Cost of goods sold is sensitive to many factors, including quarter-to-quarter variability in product mix, pricing strategies, changes in wholesale, shipping and fulfillment costs, including associated applicable customs duties and fees earned for supplier services rendered. During the three months ended March 31, 2024, cost of goods sold decreased by \$43 million, or 2.2%, compared to the same period in 2023. The decrease in cost of goods sold is primarily driven by operational cost savings initiatives and partially due to lower order volume which was driven by challenges in the category compared to the same period in 2023.

As a percentage of net revenue, cost of goods sold decreased to 70.0% for the three months ended March 31, 2024 compared to 70.4% in the same period in 2023 due to mix shifts, operational efficiencies and decreased logistics costs.

	Three Months Ended March 31,		% Change
	2024	2023	
	(in millions)		
Cost of goods sold	\$ 1,910	\$ 1,953	(2.2)%
As a percentage of net revenue	70.0 %	70.4 %	

Operating expenses

Operating expenses are comprised of customer service and merchant fees, advertising, selling, operations, technology, general and administrative expenses, impairment and other related net charges and restructuring charges. We disclose separately the equity-based compensation and related taxes that are included in customer service and merchant fees and selling, operations, technology and general and administrative expenses.

	Three Months Ended March 31,		% Change
	2024	2023	
	(in millions)		
Customer service and merchant fees ⁽¹⁾	\$ 117	\$ 139	(15.8)%
Advertising	324	327	(0.9)%
Selling, operations, technology, general and administrative ⁽¹⁾	534	624	(14.4)%
Impairment and other related net charges	—	13	(100.0)%
Restructuring charges	79	65	21.5 %
Total operating expenses	\$ 1,054	\$ 1,168	(9.8)%
As a percentage of net revenue:			
Customer service and merchant fees ⁽¹⁾	4.3 %	5.0 %	
Advertising	11.9 %	11.8 %	
Selling, operations, technology, general and administrative ⁽¹⁾	19.6 %	22.5 %	
Impairment and other related net charges	— %	0.5 %	
Restructuring charges	2.9 %	2.3 %	
	38.7 %	42.1 %	

⁽¹⁾ Includes equity-based compensation and related taxes as follows:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Customer service and merchant fees	\$ 6	\$ 8
Selling, operations, technology, general and administrative	\$ 118	\$ 140

During the three months ended March 31, 2024, our equity-based compensation and related taxes included in customer service and merchant fees and selling, operations, technology, general and administrative decreased by \$24 million, or 16.2% compared to the same period in 2023, driven by a decrease in vested restricted stock units in 2024 compared to the same period in 2023.

The following table summarizes operating expenses as a percentage of net revenue, excluding equity-based compensation and related taxes:

	Three Months Ended March 31,	
	2024	2023
Customer service and merchant fees	4.1 %	4.7 %
Selling, operations, technology, general and administrative	15.2 %	17.4 %

Customer Service and Merchant Fees

During the three months ended March 31, 2024, excluding the impact of equity-based compensation, our expenses for customer service and merchant fees decreased by \$20 million, or 15.3% compared to the same period in 2023. The decrease in customer service and merchant fees is primarily due to decreased compensation costs during the three months ended March 31, 2024 compared to the same period in 2023.

As a percentage of net revenue, total customer service and merchant fees decreased to 4.3% for the three months ended March 31, 2024 compared to 5.0% in the same period in 2023 due to decreased compensation costs.

Advertising

During the three months ended March 31, 2024, our advertising expenses decreased by \$3 million or 0.9% as compared to the same period in 2023. The decrease reflects our response to changing market conditions as we sought to maintain our return targets across various channels.

As a percentage of net revenue, advertising expenses increased to 11.9% for the three months ended March 31, 2024 compared to 11.8% in the same period in 2023 due in part to maintaining efficiencies in our advertising channel mix.

Selling, operations, technology, general and administrative

During the three months ended March 31, 2024, excluding the impact of equity-based compensation and related taxes, our expenses for selling, operations, technology, general and administrative activities decreased by \$68 million, or 14.0% compared to the same period in 2023. The decrease is primarily due to decreased personnel costs.

As a percentage of net revenue, total selling, operations, technology, general and administrative expenses decreased to 19.6% for the three months ended March 31, 2024 compared to 22.5% in the same period in 2023, primarily due to decreased compensation costs.

Impairment and other related net charges

During the three months ended March 31, 2024, impairment and other related charges decreased by \$13 million or 100.0% as compared to the same period in 2023. As a percentage of net revenue, impairment and other related net charges decreased to 0.0% from 0.5% in the same period in 2023.

During the three months ended March 31, 2023, we recorded charges of \$5 million related to consolidation of certain customer service centers in identified U.S. locations and \$8 million related to construction in progress assets at identified U.S. locations.

Restructuring charges

On January 19, 2024, we announced a workforce realignment plan, including a workforce reduction involving approximately 1,650 employees. As a result, during the three months ended March 31, 2024, restructuring charges increased by \$14 million or 21.5% as compared to the same period in 2023. As a percentage of net revenue, restructuring charges increased to 2.9% from 2.3% in the same period in 2023.

During the three months ended March 31, 2024, we incurred \$79 million of charges consisting primarily of one-time employee severance and benefit costs associated with the January 2024 workforce reductions. During the three months ended March 31, 2023, we incurred \$65 million of charges consisting primarily of one-time employee severance and benefit costs associated with the January 2023 workforce reductions.

Interest expense, net

During the three months ended March 31, 2024, our interest expense, net increased by \$1 million, or 20.0%, compared to the same period in 2023, primarily driven by the issuance of the 2028 Notes in May 2023.

	Three Months Ended March 31,		% Change
	2024	2023	
	(in millions)		
Interest expense, net	\$ (6)	\$ (5)	20.0 %

Other expense, net

During the three months ended March 31, 2024, our other expense, net increased by \$3 million compared to the same period in 2023, primarily driven by increases in foreign currency transaction losses. Included in other expense, net are changes in foreign currency transaction gains and losses and long-term investment income or losses.

	Three Months Ended March 31,		% Change
	2024	2023	
	(in millions)		
Other expense, net	\$ (4)	\$ (1)	300.0 %

Provision for income taxes, net

During the three months ended March 31, 2024, our provision for income taxes, net increased by \$1 million or 50.0% compared to the same period in 2023, primarily related to the level and mix of income earned in the U.S. and certain foreign jurisdictions and U.S. state income taxes. Refer to Note 8, *Income Taxes*, in the notes to the condensed consolidated financial statements, included in Part I, Item 1, *Financial Statements*, in this Quarterly Report on Form 10-Q for additional information.

	Three Months Ended March 31,		% Change
	2024	2023	
	(in millions)		
Provision for income taxes, net	\$ 3	\$ 2	50.0 %

Liquidity and Capital Resources

Sources of Liquidity

As of March 31, 2024, our principal source of liquidity was cash and cash equivalents and short-term investments totaling \$1.2 billion. Additionally, we have a \$600 million senior secured revolving credit facility that matures on March 24, 2026 (the “Revolver”). As of March 31, 2024, there were no revolving loans outstanding under the Revolver. We had outstanding letters of credit, primarily as security for certain lease agreements, for \$72 million as of March 31, 2024, which reduced the availability of credit under the Revolver. Excluding liquidity available through our Revolver, the following table shows sources of liquidity for the periods presented:

	March 31,	December 31,
	2024	2023
	(in millions)	
Cash and cash equivalents	\$ 1,107	\$ 1,322
Short-term investments	50	29
Total liquidity	<u>\$ 1,157</u>	<u>\$ 1,351</u>

We believe that our existing cash and cash equivalents and investments, cash generated from operations and the borrowing availability under our Revolver will be sufficient to meet our anticipated cash needs for at least the foreseeable future including planned capital expenditures, contractual obligations and other such requirements. However, our liquidity assumptions may prove to be incorrect, and we could exhaust our available financial resources sooner than we currently expect. In addition, we may elect to raise additional funds at any time through equity, equity-linked or debt financing arrangements. Further, we may from time to time seek to retire, restructure, repurchase or redeem, or otherwise mitigate the equity dilution associated with our outstanding convertible debt through cash purchases, stock buybacks of some or all of the shares underlying convertible notes and/or exchanges for equity or debt in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, exchanges or liability management exercises, if any, will be upon such terms and at such prices and sizes as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those described herein and in our other filings with the SEC, including those set forth in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2023. In addition, macroeconomic events have caused disruption in the capital markets, including increased inflation and interest rates, which could make obtaining financing more difficult and/or expensive. As a consequence, we may not be able to secure additional financing to meet our operating requirements on acceptable terms, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt financing arrangements, those securities and instruments may have rights, preferences or privileges senior to the rights of our common stock, and the holders of our equity securities may experience dilution. We will continue to monitor our liquidity during this time of historic disruption and volatility in the global capital markets.

Credit Agreement and Convertible Debt

As of March 31, 2024, we had \$3.2 billion principal amount of indebtedness outstanding.

Under the terms of our Revolver, we may use proceeds to finance working capital, to refinance existing indebtedness and to provide funds for permitted acquisitions, repurchases of equity interests and other general corporate purposes. Any amounts outstanding under the Revolver are due at maturity.

The conditional conversion features of the 2028 Notes were triggered during the calendar quarter ended March 31, 2024, and the 2028 Notes therefore became convertible in the calendar quarter ended June 30, 2024 pursuant to the applicable last reported sales price condition. The conditional conversion features of the 2024 Notes, 2025 Notes, 2026 Notes and 2027 Notes were not triggered during the calendar quarter ended March 31, 2024, therefore, the 2024 Notes, 2025 Notes, 2026 Notes and 2027 Notes are not convertible during the calendar quarter ended June 30, 2024 pursuant to the applicable last reported sales price conditions. The 2025 Accreting Notes are convertible at any time prior to the close of business on the second business day immediately preceding the maturity date. During the period ended March 31, 2024, there were no conversions of the Notes.

Whether any of the Non-Accreting Notes will be convertible in future quarters will depend on the satisfaction of the applicable last reported sales price condition or another conversion condition in the future. If one or more holders elect to convert their Non-Accreting Notes at a time when any such Non-Accreting Notes are convertible, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

The credit agreement and indentures governing our convertible notes contain restrictions and covenants that may limit our operating flexibility. Specifically, the Revolver contains affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants that, among other things, limit or restrict our ability, subject to negotiated exceptions, to incur additional indebtedness and additional liens on our assets, engage in mergers or acquisitions or dispose of assets, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments, or change the nature of our businesses. The Revolver also requires us to maintain certain levels of performance in order to maintain our access to the Revolver. For instance, we are required to maintain a Consolidated Senior Secured Debt to Consolidated EBITDA Ratio (as defined in the credit agreement governing the Revolver) of 4.0 to 1.0, subject to a 0.5 step-up following certain permitted acquisitions. For information regarding our credit agreement and convertible notes, see Note 4, *Debt and Other Financing*, in the notes to the condensed consolidated financial statements, included in Part I, Item 1, *Financial Statements*, in this Quarterly Report on Form 10-Q and Note 6, *Debt and Other Financing*, included in Part II, Item 8, *Financial Statements and Supplementary Data*, in our Annual Report on Form 10-K for the year ended December 31, 2023. As of March 31, 2024, we were in compliance with all the terms and conditions of our debt agreements.

Stock Repurchase Program

On August 21, 2020, the board of directors (the “Board”) authorized the repurchase of up to \$700 million of our Class A common stock in the open market, through privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan (the “2020 Repurchase Program”). On August 10, 2021, the Board authorized a new \$1.0 billion share repurchase program on the same terms (the “2021 Repurchase Program” together with the 2020 Repurchase Program, the “Repurchase Programs”). There is no stated expiration date for the Share Repurchase Programs. We will begin repurchasing shares under the 2021 Repurchase Program upon the completion of the 2020 Repurchase Program.

The Repurchase Programs do not obligate us to purchase any shares of our Class A common stock and have no expiration but may be suspended or terminated by the Board at any time. The actual timing, number and value of shares repurchased under the Repurchase Programs in the future will be determined by us in our discretion and will depend on a number of factors, including market conditions, applicable legal requirements, our capital needs and whether there is a better alternative use of capital. As of March 31, 2024, we have repurchased 2,354,491 shares of Class A common stock for approximately \$612 million under the Repurchase Programs.

Trends and Historical Cash Flows

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net loss	\$ (248)	\$ (355)
Net cash used in operating activities	\$ (139)	\$ (147)
Net cash (used in) provided by investing activities	\$ (75)	\$ 64
Net cash provided by financing activities	\$ —	\$ —

Operating Activities

Cash flows in connection with operating activities consisted of net loss adjusted for certain non-cash items including depreciation and amortization, equity-based compensation and certain other non-cash expenses, as well as the effect of changes in working capital and other activities. Operating cash flows can be volatile and are sensitive to many factors, including changes in working capital and our net loss.

Cash flows used in operating activities decreased by \$8 million during the three months ended March 31, 2024 compared to the same period in 2023, primarily due to an increase in net loss adjusted for non-cash items of \$70 million, partially offset by a decrease of \$62 million for cash provided by changes in operating assets and liabilities.

Investing Activities

Cash flows used in investing activities increased by \$139 million during the three months ended March 31, 2024 compared to the same period in 2023, primarily due to increases in purchases of short- and long-term investments of \$36 million and decreases in sales and maturities of short- and long-term investments of \$136 million, partially offset by decreases in purchases of property and equipment and site and software development costs of \$33 million.

Purchases of property and equipment and site and software development costs (collectively, “Capital Expenditures”) were 2.0% of net revenue for the three months ended March 31, 2024 and related primarily to equipment purchases and improvements for leased warehouses within our expanding logistics network and ongoing investments, including in our proprietary technology and operational platform.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet activities. We do not have any off-balance sheet interest in variable interest entities, which include special purpose entities and other structured finance entities.

Contractual Obligations

During the three months ended March 31, 2024, there have been no material changes to our contractual obligations and estimates as compared to the contractual obligations described in *Contractual Obligations* included in Part II, Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the year ended December 31, 2023.

Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, we have disclosed in this Quarterly Report on Form 10-Q the following non-GAAP financial measures: Adjusted EBITDA, Free Cash Flow, Adjusted Diluted Earnings or Loss per Share and Net Revenue Constant Currency Growth.

Adjusted EBITDA

We calculate Adjusted EBITDA as net income or loss before depreciation and amortization, equity-based compensation and related taxes, interest income or expense, net, other income or expense, net, provision or benefit for income taxes, net, non-recurring items and other items not indicative of our ongoing operating performance. We have provided a reconciliation below of Adjusted EBITDA to net income or loss, the most directly comparable GAAP financial measure.

We disclose Adjusted EBITDA because it is a key measure used by our management and the Board to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, we believe the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis as these costs may vary independent of business performance. For instance, we exclude the impact of equity-based compensation and related taxes as we do not consider this item to be indicative of our core operating performance. Investors should, however, understand that equity-based compensation and related taxes will be a significant recurring expense in our business and an important part of the compensation provided to our employees. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and the Board.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect equity-based compensation and related taxes;
- Adjusted EBITDA does not reflect changes in our working capital;
- Adjusted EBITDA does not reflect income tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA does not reflect interest expenses associated with our borrowings;
- Adjusted EBITDA does not include other items not indicative of our ongoing operating performance; and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income or loss and our other GAAP results.

The following table reflects the reconciliation of net income or loss to Adjusted EBITDA for each of the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Reconciliation of Adjusted EBITDA:		
Net loss	\$ (248)	\$ (355)
Depreciation and amortization	104	104
Equity-based compensation and related taxes	127	151
Interest expense, net	6	5
Other expense, net	4	1
Provision for income taxes, net	3	2
Other:		
Impairment and other related net charges ⁽¹⁾	—	13
Restructuring charges ⁽²⁾	79	65
Adjusted EBITDA	\$ 75	\$ (14)

⁽¹⁾ During the three months ended March 31, 2023, we recorded net charges of \$5 million related to consolidation of certain customer service centers in identified U.S. locations and \$8 million related to construction in progress assets at identified U.S. locations.

⁽²⁾ During the three months ended March 31, 2024, we incurred \$79 million of charges consisting primarily of one-time employee severance and benefit costs associated with the January 2024 workforce reductions. During the three months ended March 31, 2023, we incurred \$65 million of charges consisting primarily of one-time employee severance and benefit costs associated with the January 2023 workforce reductions.

Free Cash Flow

We calculate Free Cash Flow as net cash provided by or used in operating activities less Capital Expenditures. We have provided a reconciliation below of Free Cash Flow to net cash provided by or used in operating activities, the most directly comparable GAAP financial measure.

We disclose Free Cash Flow because it is an important indicator of our business performance as it measures the amount of cash we generate. Accordingly, we believe that Free Cash Flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management.

Free Cash Flow has limitations as an analytical tool because it omits certain components of the cash flow statement and does not represent the residual cash flow available for discretionary expenditures. Further, other companies, including companies in our industry, may calculate Free Cash Flow differently. Accordingly, you should not consider Free Cash Flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because of these limitations, you should consider Free Cash Flow alongside other financial performance measures, including net cash provided by or used in operating activities, Capital Expenditures, and our other GAAP results.

The following table presents a reconciliation of net cash provided by or used in operating activities to Free Cash Flow for each of the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net cash used in operating activities	\$ (139)	\$ (147)
Purchase of property and equipment	(13)	(34)
Site and software development costs	(41)	(53)
Free Cash Flow	<u>\$ (193)</u>	<u>\$ (234)</u>

Adjusted Diluted Earnings or Loss per Share

We calculate Adjusted Diluted Earnings or Loss per Share as net income or loss plus equity-based compensation and related taxes, provision or benefit for income taxes, net, non-recurring items, other items not indicative of our ongoing operating performance, and, if dilutive, interest expense associated with convertible debt instruments under the if-converted method divided by the weighted-average number of shares of common stock used in the computation of diluted earnings or loss per share. Accordingly, we believe that these adjustments to our adjusted diluted net income or loss before calculating per share amounts for all periods presented provide a more meaningful comparison between our operating results from period to period.

Adjusted Diluted Earnings or Loss per Share has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. For example, Adjusted Diluted Earnings or Loss per Share, by their nature, excludes equity-based compensation and related taxes, provision or benefit for income taxes, net, non-recurring items, other items not indicative of our ongoing operating performance, and, if dilutive, interest expense associated with convertible debt instruments under the if-converted method.

Because of these limitations, you should consider Adjusted Diluted Earnings or Loss per Share alongside other financial performance measures.

A reconciliation of the numerator and denominator for diluted earnings or loss per share, the most directly comparable GAAP financial measure, to the numerator and denominator for Adjusted Diluted Earnings or Loss per Share in order to calculate Adjusted Diluted Earnings or Loss per Share, is as follows:

	Three Months Ended March 31,	
	2024	2023
	(in millions, except per share data)	
Numerator:		
Numerator for basic and diluted loss per share - net loss	\$ (248)	\$ (355)
<i>Adjustments to net loss</i>		
Equity-based compensation and related taxes	127	151
Provision for income taxes, net	3	2
Other:		
Impairment and other related net charges	—	13
Restructuring charges	79	65
Numerator for Adjusted Diluted Loss per Share - Adjusted net loss	<u>\$ (39)</u>	<u>\$ (124)</u>
Denominator:		
Denominator for basic and diluted loss per share - weighted-average number of shares of common stock outstanding	120	110
Denominator for Adjusted Diluted Loss per Share - Adjusted weighted-average number of shares of common stock outstanding after the effect of dilutive securities	120	110
Diluted Loss per Share	<u>\$ (2.06)</u>	<u>\$ (3.22)</u>
Adjusted Diluted Loss per Share	<u>\$ (0.32)</u>	<u>\$ (1.13)</u>

Net Revenue Constant Currency Growth

We calculate Net Revenue Constant Currency Growth by translating the current period local currency net revenue by the currency exchange rates used to translate our financial statements in the comparable prior-year period.

We disclose Net Revenue Constant Currency Growth because it is an important indicator of our operating results. Accordingly, we believe that Net Revenue Constant Currency Growth provides useful information to investors and others in understanding and evaluating trends in our operating results in the same manner as our management.

Net Revenue Constant Currency Growth has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. For example, Net Revenue Constant Currency Growth rates, by their nature, exclude the impact of foreign exchange, which may have a material impact on net revenue.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, net revenue, costs and expenses and related disclosures. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.

There have been no material changes to our critical accounting policies and estimates since December 31, 2023. See Part II, Item 7, *Management's Discussion and Analysis* of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the year ended December 31, 2023 for a description of our critical accounting policies and estimates.

Recent Accounting Pronouncements

The information called for by this section is incorporated herein by reference to Note 1, *Summary of Significant Accounting Policies*, in the notes to the condensed consolidated financial statements, included in Part I, Item 1, *Financial Statements*, in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our exposures to market risk since December 31, 2023. See Part II, Item 7A, *Quantitative and Qualitative Disclosures about Market Risk* included in our Annual Report on Form 10-K for the year ended December 31, 2023 for a discussion on our exposures to market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2024, we transitioned to our new financial accounting system for financial reporting, which included changes to financial processes impacting key controls over financial reporting. The new system is designed to enhance the flow of financial information, improve data management and provide both accurate and timely financial reporting. During this period of transition, we have taken steps to implement and maintain appropriate and effective internal control over financial reporting and will continue to evaluate the design and operating effectiveness of internal control over financial reporting in subsequent periods.

Other than the aforementioned change in our accounting system, there were no other changes to our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in litigation matters and other legal claims that arise during the ordinary course of business. Litigation and legal claims are inherently unpredictable and cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations or financial condition, and regardless of the outcome, these matters can be costly and time consuming, as it can divert management's attention from important business matters and initiatives, negatively impacting our overall operations. In addition, we may be at greater risk to outside party claims as we increase our operations in jurisdictions where the laws with respect to the potential liability of online retailers are uncertain, unfavorable or unclear.

We do not believe that the outcome of any legal matters to which we are presently a party will have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

As of the date of this report, there are no material changes from the risk factors previously disclosed in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Purchases of Equity Securities

See Part II, Item 5, *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Certain Information Regarding the Trading of Our Common Stock* included in our Annual Report on Form 10-K for the year ended December 31, 2023 for information regarding our authorized share repurchase programs. As of March 31, 2024, the approximate dollar value of shares that may yet be purchased under the authorized share repurchase programs is \$1.1 billion. There were no repurchases made during the three months ended March 31, 2024.

Item 5. Other Information

(c) *Rule 10b5-1 Trading Plans*

During the three months ended March 31, 2024, the following directors or officers informed us of the adoption, modification or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(c) of Regulation S-K, that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c):

Name & Title	Action	Date	Plans		Aggregate number/dollar value of securities to be purchased or sold ⁽¹⁾	Plan expiration date ⁽²⁾
			Rule 10b5-1 Plan	Non-Rule 10b5-1 Plan		
Kate Gulliver, Chief Financial Officer and Chief Administrative Officer	Adoption	March 7, 2024	X		Up to 9,612 shares to be sold	2/28/2025

⁽¹⁾ The “Aggregate number/dollar value of securities to be sold” represents the gross number or value of shares to be sold during the duration of the plan, before excluding any shares sold pursuant to the Company’s mandatory policies to cover necessary tax withholding obligations in connection with the vesting of the securities.

⁽²⁾ Except as indicated by footnote, each trading arrangement permitted or permits transactions through and including the earlier to occur of (a) the completion of all purchases or sales or (b) the date listed in the table. Each trading arrangement marked as a “Rule 10b5-1 Plan” only permitted or only permits transactions upon expiration of the applicable mandatory cooling-off period under Rule 10b5-1(c), as amended.

Other than those disclosed above, none of our directors or officers adopted, modified or terminated, a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” during the three months ended March 31, 2024.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Incorporated by Reference			
			Form	File No.	Filing Date	Exhibit Number
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X				
101.DEF	XBRL Taxonomy Definition Linkbase Document	X				
101.LAB	XBRL Taxonomy Labels Linkbase Document	X				
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)	X				

This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 2, 2024

WAYFAIR INC.

By: /s/ NIRAJ SHAH

Niraj Shah

Chief Executive Officer and President
(Principal Executive Officer)

Date: May 2, 2024

By: /s/ KATE GULLIVER

Kate Gulliver

Chief Financial Officer and Chief Administrative Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Niraj Shah, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wayfair Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2024

(Date)

/s/ NIRAJ SHAH

Niraj Shah

Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kate Gulliver, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wayfair Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2024

(Date)

/s/ KATE GULLIVER

Kate Gulliver

Chief Financial Officer and Chief Administrative Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Wayfair Inc. (the "Company") for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Niraj Shah, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

May 2, 2024
(Date)

/s/ NIRAJ SHAH
Niraj Shah
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Wayfair Inc. (the "Company") for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kate Gulliver, Chief Financial Officer and Chief Administrative Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

May 2, 2024

(Date)

/s/ KATE GULLIVER

Kate Gulliver

Chief Financial Officer and Chief Administrative Officer